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RUEHCN/AMCONSUL CHENGDU 1063
RUEHGZ/AMCONSUL GUANGZHOU 8998
RUEHHK/AMCONSUL HONG KONG 5918
RUESLE/AMCONSUL SHANGHAI 8395
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000592

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SUBJECT: PFP SAYS DON'T CALL US PAN-BLUE ANYMORE

Classified By: AIT Acting Director David J. Keegan, Reason(s):
1.4 (B/D).

¶1. (U) Summary: The People First Party (PFP) is threatening to withdraw from the Legislative Yuan's (LY) majority Pan-Blue coalition if the Kuomintang (KMT) refuses to share political power or give greater respect to the PFP and its Chairman, James Soong. Eight prominent PFP legislators, one-fourth of the party's LY representation, has already defected to the KMT. PFP leaders privately (and we gather accurately) allege the KMT is inciting these defections to accelerate the PFP's demise. Soong and the PFP have a couple of trump cards with which to embarrass the KMT and its Chairman Ma Ying-jeou: it could block any compromise on arms procurement or team up with the Pan-Greens to air the KMT's "ill-gotten assets" dirty laundry before the entire LY. End Summary.

¶2. (C) Outgoing PFP LY caucus director Daniel Hwang (Yih-jiao) told AIT on February 23 that PFP Chairman Soong will soon choose four PFP members to occupy the party's four seats in the LY Procedural Committee, the committee that decides which bills will be put on the agenda for consideration by the entire LY. Hwang said that until recently, the new caucus director had been empowered to choose PFP Procedural Committee members, but Chairman Soong, in light of the party's dwindling strength decided this time to select the members himself to "strengthen the ties between the party caucus and the PFP leadership." (Note: Due to recent defections to the KMT, the PFP now holds only 24 seats, down from 34 elected in December 2004. End note.) Hwang said seven PFP legislators are vying for the party's four Procedural Committee seats, including Chang Hsien-yao, Lu Hsueh-chang, Lin Hui-kuan, Lee Hung-chun, Liu Wen-hsiung, and Hwang himself.

¶3. (C) According to Hwang, three of the Procedural Committee candidates -- Chang Hsien-yao, Lee Hung-chun, and Liu Wen-hsiung -- are among the PFP's most vocal KMT critics. Hwang told AIT that during the last LY session when he was caucus leader, Lee and Liu came to him several times, urging that the PFP break from the KMT in the Procedural Committee, and vote in favor of a DPP-sponsored bill to investigate the KMT's alleged "ill-gotten assets." Hwang said Lee is angry at the KMT for trying to weaken the PFP by luring its LY members away, and for its unwillingness to make room in future LY elections for PFP candidates. Hwang was careful to

assert that the alleged campaign to weaken the PFP is probably being waged by KMT leaders without KMT Chairman Ma's knowledge or involvement. (Comment: We find this a little improbable since Ma has been instituting a a much more centralized power structure in the KMT and since some of the most prominent KMT recruiters of PFP defectors are Ma's closest friends and allies. End Comment.)

14. (C) On February 22, Lee Hung-chun announced to the Taiwan press that the PFP was its own party, and should no longer be lumped together with the KMT under the "Pan-Blue" banner. PFP Chairman Soong also publicly stated that cooperation between the KMT and PFP would not be "inevitable" this LY session, that margins in the PC were close, and that the PFP would use its four seats on the Procedural Committee to play a "key role." Hwang surmised that a disgruntled James Soong might choose hard-line anti-KMT legislators Lee and Liu, and perhaps Chang, to occupy the PFP's seats on the Procedural Committee.

15. (C) Pan-Blue control of the 36-member LY Procedural Committee is tenuous: the Pan-Blues hold 18 seats to the Pan-Green's 17. The non-partisan Solidarity Union, composed of independent legislators, holds one seat. Just one Pan-Blue defector would throw the balance to the Pan-Greens. The KMT has in the past been able to rely on PFP cooperation in the Procedural Committee to block legislation, including the Defense Procurement Special Budget, and to defeat potentially embarrassing legislation, particularly various DPP-sponsored bills seeking investigation and/or forced divestiture of the KMT's alleged "ill-gotten assets." If the KMT continues to ignore PFP power-sharing demands, or disregards the PFP's desired limits on prospective arms purchases, said Hwang, the PFP could retaliate by letting a

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DPP "illicit assets" bill go to the LY floor.

16. (C) Comment: Over the past three months, PFP Chairman Soong has watched his party's power base in the LY decline by one-fourth. The Procedural Committee remains the most important battleground in the LY -- where the arms procurement budget issue and the "illicit assets" bills remain trapped. An "ill-gotten assets" bill stands little chance of passing the Blue-dominated LY, but an airing by the full LY of such a bill would give the DPP a bully pulpit from which to crow about KMT corruption, doing considerable harm to recent efforts by KMT Chairman Ma Ying-jeou to clean up the KMT's image. Unable to stop the exodus from the PFP, and with precious few levers on the KMT or its increasingly popular chairman, Soong is forced to resort to extreme measures to keep the PFP alive and relevant. End Comment.
KEEGAN